Let's talk about our business model...

Why we're here

Assess current situation

Take a step back and see the larger picture

Discuss big ideas and implications

goal: Agree on how we want to shape the future

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The daily Android / Play vocabulary...
Cloudgaming
Epic
Instantapps
Discovery
Billing
Tencent
Kids
Samsung
Subscription
Gameengines
Premiumgames
Stadia
Ads
HUG
xPA CPI
Revshare
Regulations
Huawei
Instantgames
Unity
Crossplatform
Policy
Emulators
Security
Chat
RSA
Discord
esports
Malware
Dumbledore

Our teams have brought us at least one proposal for each item and seek decisions

HOWEVER

All of these problems are linked one way or the other and there will be long term impact based on what we decide

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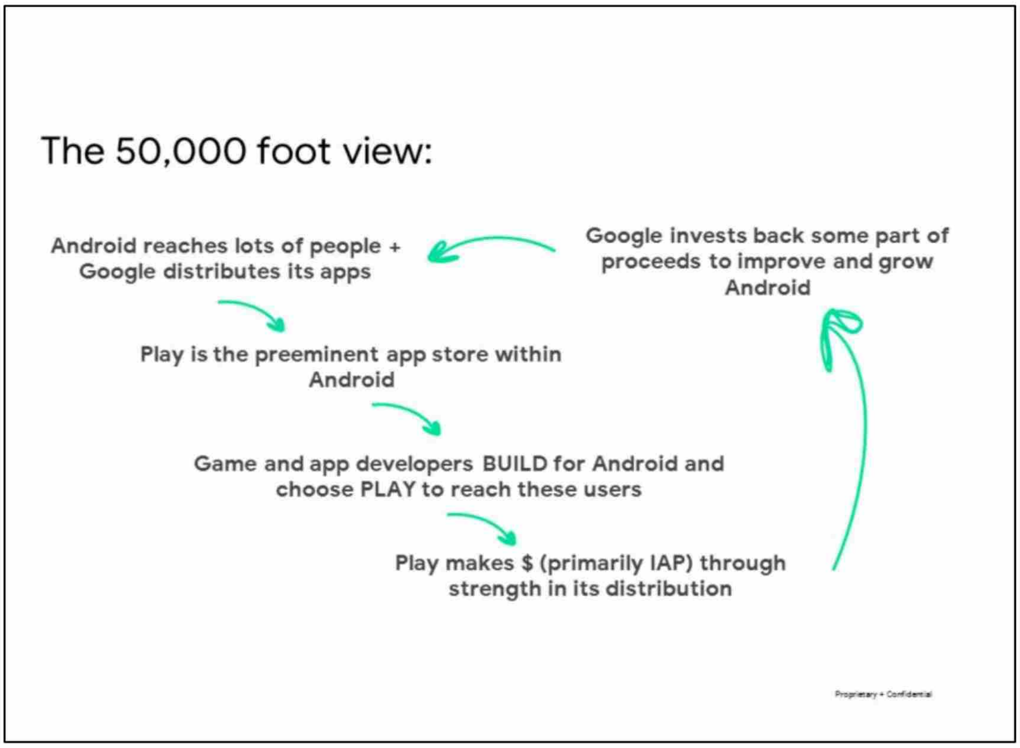
Let's take a step back...


The 50,000 foot view:
Android reaches lots of people + Google distributes its apps
Google invests back some part of proceeds to improve and grow Android
Play is the preeminent app store within Android
Game and app developers BUILD for Android and choose PLAY to reach these users
Play makes $ (primarily IAP) through strength in its distribution
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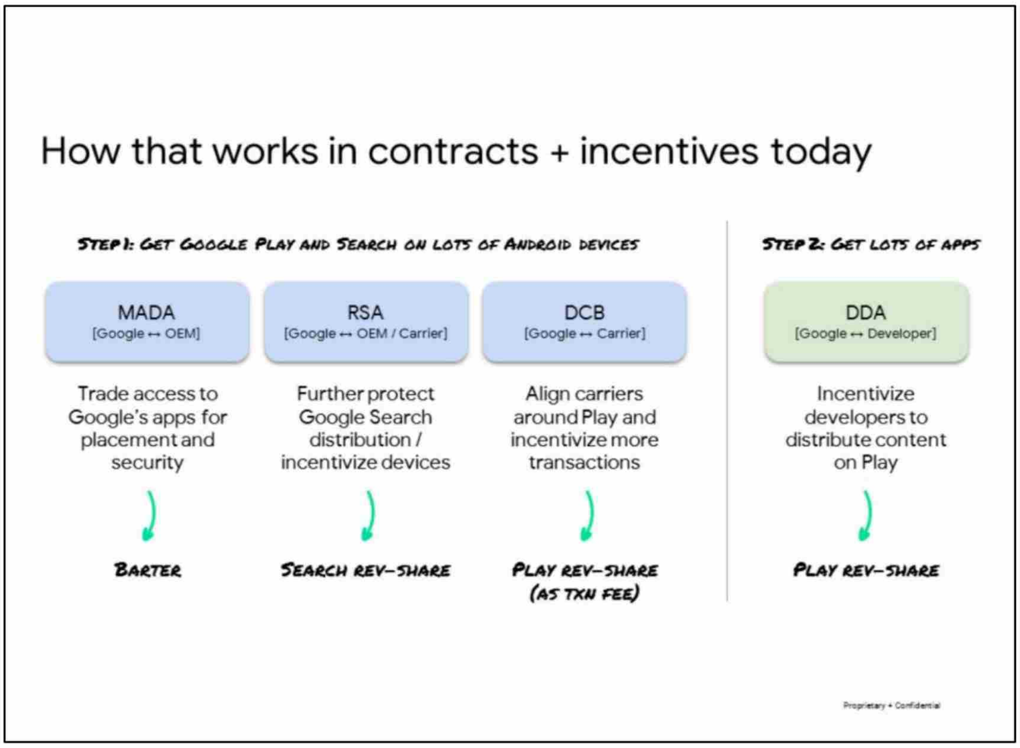
How that works in contracts + incentives today
STEP 1: GET GOOGLE PLAY AND SEARCH ON LOTS OF ANDROID DEVICES
STEP 2: GET LOTS OF APPS
MADA
[Google ↔ OEM]
Trade access to Google's apps for placement and security
BARTER
RSA
[Google ↔ OEM / Carrier]
Further protect Google Search distribution / incentivize devices
SEARCH REV-SHARE
DCB
[Google ↔ Carrier]
Align carriers around Play and incentivize more transactions
PLAY REV-SHARE (AS TXN FEE)
DDA
[Google ↔ Developer]
Incentivize developers to distribute content on Play
PLAY REV-SHARE
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Partner incentives today are focused on search...

SEARCH

[redacted]
2018 Android Revenue

[redacted]
2018 Rev Share Payments

PAID TO BOTH OEMS AND CARRIERS

BUYS US SEARCH ACCESS POINTS AND INCREMENTAL PROTECTIONS

PLAY

[redacted]
2018 Play Revenue

[redacted]
2018 DCB Payments

PAID TO ONLY CARRIERS

BUYS US A FOP; NO INCREMENTAL PROTECTIONS FOR SEARCH OR PLAY

… despite Play being larger in some markets

Key Regions[1]	Search by Region	Y/Y	Mix%	Mix Y/Y	Play by Region	Y/Y	Mix%	Mix Y/Y	Dec'18 280A	Y/Y	Mix%	Mix Y/Y
[redacted]												

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That core Play model has evolved in the past

YEARS AGO		TODAY	
70%	Developer	70%	Developer
25%	OEM / carrier	30%	Google
5%	Google		

YEARS AGO: INCENTIVIZE PARTICIPATION OF EXISTING PLAYERS / REDUCE PREVALENCE OF WALLED GARDENS

TODAY: BETTER RELY ON CATALOG SCALE / REINVEST PROFITS TO GROW AND IMPROVE THE SERVICE

So why are we talking about this again now?

Redacted - Privilege

Android / app-store consolidation	Single OEMs (e.g. Samsung) or groups of OEMS (e.g. Aptoide on XOV) are building significant distribution scale
Game developer consolidation	Single developers consolidating a large number of highly monetizing titles, increasing risk of going-it-alone

We have projects thinking about all of these...

Redacted - Privilege

Android / app-store consolidation	Single OEMs (e.g. Samsung) or groups of OEMS (e.g. Aptoide on XOV) are building significant distribution scale	**Google-Forward** (Incentivize OEMs to prioritize Play)
Game developer consolidation	Single developers consolidating a large number of highly monetizing titles, increasing risk of going-it-alone	**Hug** (Incentivize devs to prioritize play)

... all in different stages

[redacted]

SECURE CONTENT

SECURE DISTRIBUTION

[redacted], which makes us think...

1. SHOULD WE BE DOING ALL OF THEM? IS IT A QUESTION OF PHASING? PUT OUR BIGGEST BET BEHIND ONE OR TWO?

2. IS THERE SOME BROADER SOLVE THAT WE HAVEN'T THOUGHT ABOUT?

3. WHAT DO WE START DOING NOW TO BUILD NEW REVENUE MODELS?

There's other revenue available in gaming...

Development	Distribution	Engagement
• IDE/Game Engines/Kits (Unity, Epic, etc.) • Prototyping services • Pre-release funding • Beta communities, QA, Monetization testing • Etc.	• Form-factor extension / emulation • Streaming	• Social (Discord, etc.) • LiveOps services • Esports assets • Etc.

As we do any of these, there's a decision to make: is this a way of further defending the 30% rate, or a new way of making money?

Appendix - Some Trends

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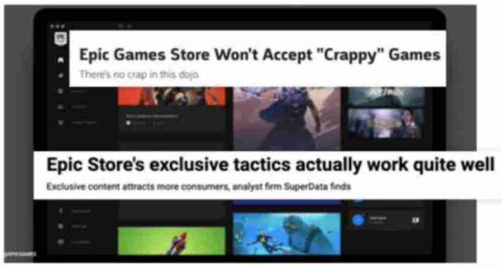
Exclusive Content, Bundling and Quality



Scarcity

Galaxy Store: Everything Your Galaxy Device Needs, Together in One Place

More games / $

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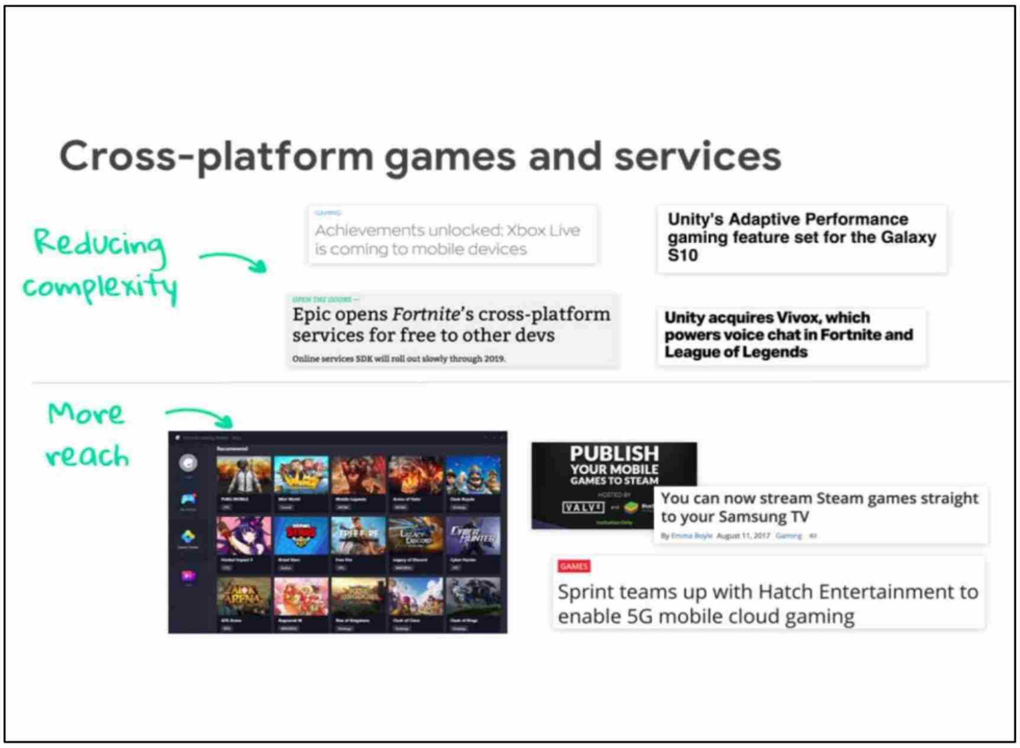
New Gaming Platforms Launching



Services that help games run across mobile, PC and console.
Emulation/streaming represent different distribution methods towards bringing mobile games to PCs

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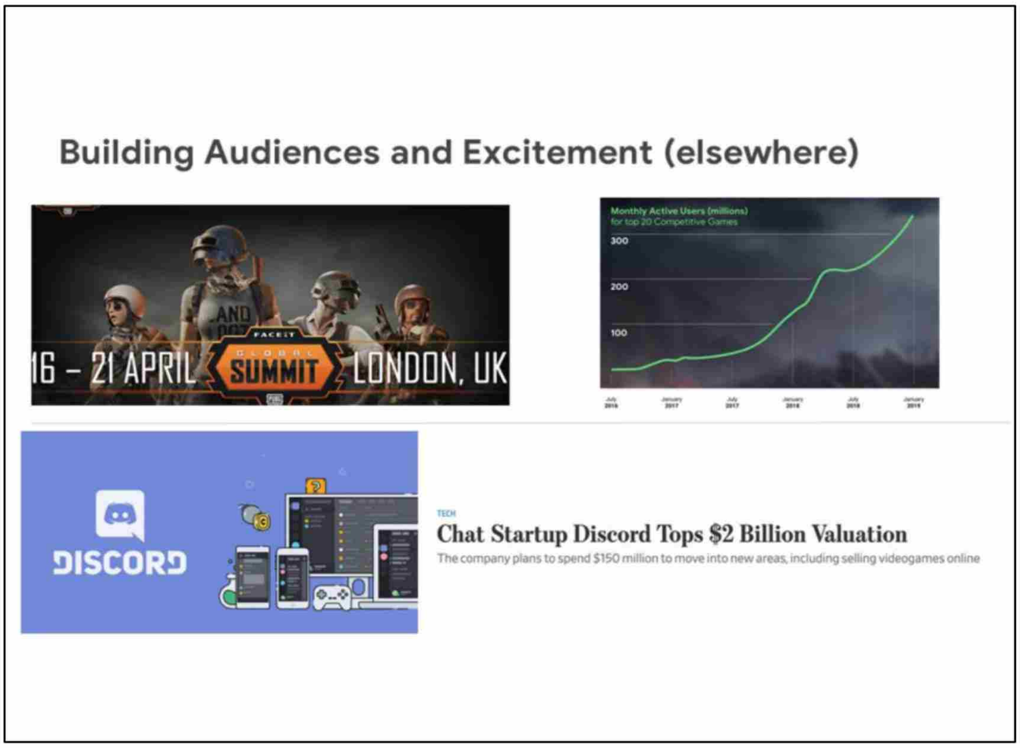

More competitive games are coming to Android - not pay to win, strategy is around building audiences through esports competitions. Discovery outside the ecosystem.

Social remains important - it's still hard to find someone to play with, and it's all about the communities a game forms around them (and less about individual friends)

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Device Fragmentation / OEM Complexity

Epic Says Android is Too Inconsistent to Develop For Compared to iOS

+3,767

"... problem is the tweaks that OEMs make to the internals of Android. For example... [Samsung S8 vs. Pixel 2]... both devices have around 4GB of RAM, but 1.2GB less of it was usable on the Pixel 2!"

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BD Predictions in 2020

What will be the 3 most common asks from partners in 2020?

More AAA Devs / IPs Coming to Mobile

Blizzard Entertainment
gearbox software
Call of Duty
Riot Games
Valve
Forza Motorsport
Bungie
Apex Legends

How can Play help AAA devs become successful on Android/Play?

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Players Can Play Anywhere

as a result...

- Players will likely use unique sign-ons
- Other platform choices will emerge (emulators?)
- More options to pay to enhance gaming experiences?

How will Play support developers with platform agnostic games?

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"Older" Live Games Continue to Grow

Grand Theft Auto Online's Casino sets new player count highs

Biggest jolt to the game since its 2013 launch, says Rockstar

GAMING

'CLASH OF CLANS' 7TH ANNIVERSARY ADDS BIRTHDAY SURPRISE & PARTY WIZARD

BY CHRISTOPHER GROUX ON 8/3/19 AT 11:00 AM EDT

Fortnite's mecha-monster battle was its most impressive and cinematic live event yet

Where's the Fortnite movie already?

PC GAMING

Rainbow Six: Siege is still Ubisoft's live-service darling

GAMES

Activision Blizzard snacks on another strong quarter of Candy Crush growth

JASON WILSON @JASON_WILSON MAY 2, 2019 1:58 PM

GAMES

Star Wars: Galaxy of Heroes reaches 80 million players since 2015 debut

MIKE MINOTTI @TOLKOTO JULY 30, 2019 1:44 PM

Can Play deliver similar value for "older" live games as it does for new games?

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How big is Google Play's

Gaming business

today?

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Hint: Bigger than Netflix!

[redacted]

28-day active users open a game downloaded from the Play Store (+20%/y)

[redacted]

Daily minutes spent in gaming apps (+40%/y)

>$xxB

Annualized gaming consumer spend (+25%/y)

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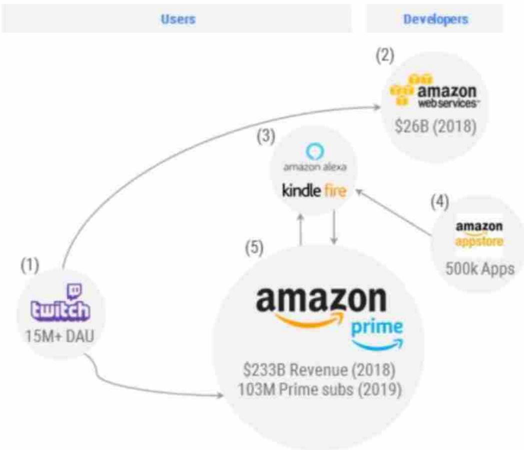
Opportunity?
Only 1 in 3 Play users spent >5 mins playing games last month
<2% of Play users spent $ on games in last 28 days

Ecosystem Players

Many ecosystem players are investing in gaming assets and capabilities not just to win in gaming, but also to use gaming to grow their core business....what about us?

Amazon is investing in a full suite of cloud tools for developers and building communities for users to reinforce their ecosystem value and retail business



Key gaming assets & strategy

1. **Twitch:** As the #1 gaming streaming platform, Twitch is becoming a **one-stop shop for all gaming necessities.** This includes streaming, exclusive in-game items and deals through Prime, chat / forums, and sharing gaming tips and guides
2. **AWS:** Combined with AWS (the #1 cloud player), Amazon can also become the **one-stop shop for all developer needs.** This includes backend infrastructure, game engines, and Twitch integration
3. **Hardware:** While not a major player today, Amazon is making inroads with Prime Exclusives, Fire Tablet / TV, and Echo as distribution points for their app store
4. **App Store:** Amazon's app store is 1/5 the size of Play, but low-cost hardware and IAP discounts / promos drive spend
5. **Retail / Prime:** Amazon is uniquely positioned to **cross-sell games and blend physical retail** with digital offers to gamers (e.g. toys that unlock in-game content)

Sources: Global Alliance Team

Google

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Amazon - Services oriented, developer stack. Twitch harnesses game communities. (why? Because core biz is AWS/retail)

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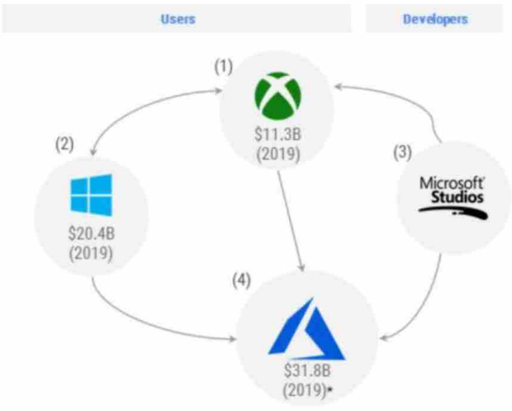
Microsoft's expertise in PC and console gaming combined with Azure generating a shift towards cloud gaming in Fall 2019



Key gaming assets & strategy

1. **Xbox:** Primary gaming console business likely to evolve into portable/mobile hybrid, similar to Switch, and include cloud gaming at its core. Through Xbox Live, they also offer community-centric features, including a mobile app
2. **Windows:** Leading PC OS and preferred platform for PC developers and gamers. **Merging Windows and Xbox OS**, further reinforcing their gaming ecosystems and enabling Xbox Play Anywhere x-platform gaming strategy (only supports ~10% of titles today)
3. **Microsoft Studios:** In-house developer / publisher with strong **IP (**Minecraft, Halo, and Age of Empires**)** to drive gamer adoption of Xbox, Windows. Some titles (e.g. Minecraft) available across platforms today (including on Play)
4. **Azure:** Microsoft is developing a **cloud gaming business** powered by Azure to double down on services for game developers. Announced **cloud streaming partnership with Sony** (PlayStation) for joint development and content creation around next-gen console releas cycle (Fall 2019)

Sources: [illegible]; Note: Includes MSOffice products

Google

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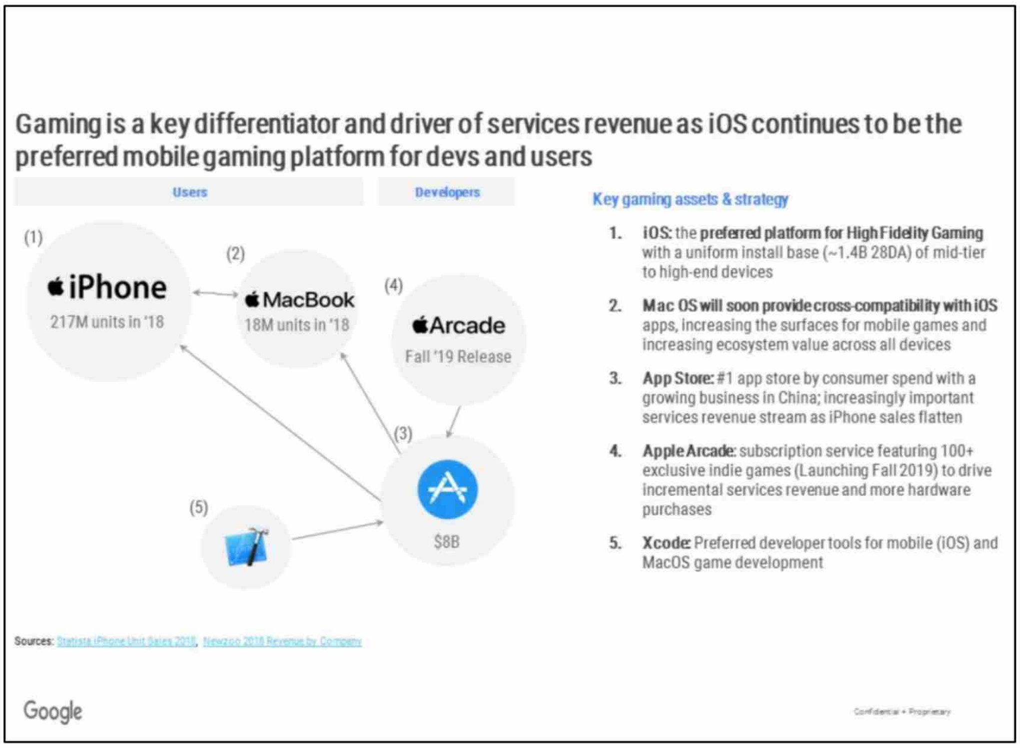

Apple - will be for games, what they are for music. All apple devices are effectively game oriented phones. (why? Because core is biz is HW. Camera focus will be less of a differentiator, games will be their future diff)

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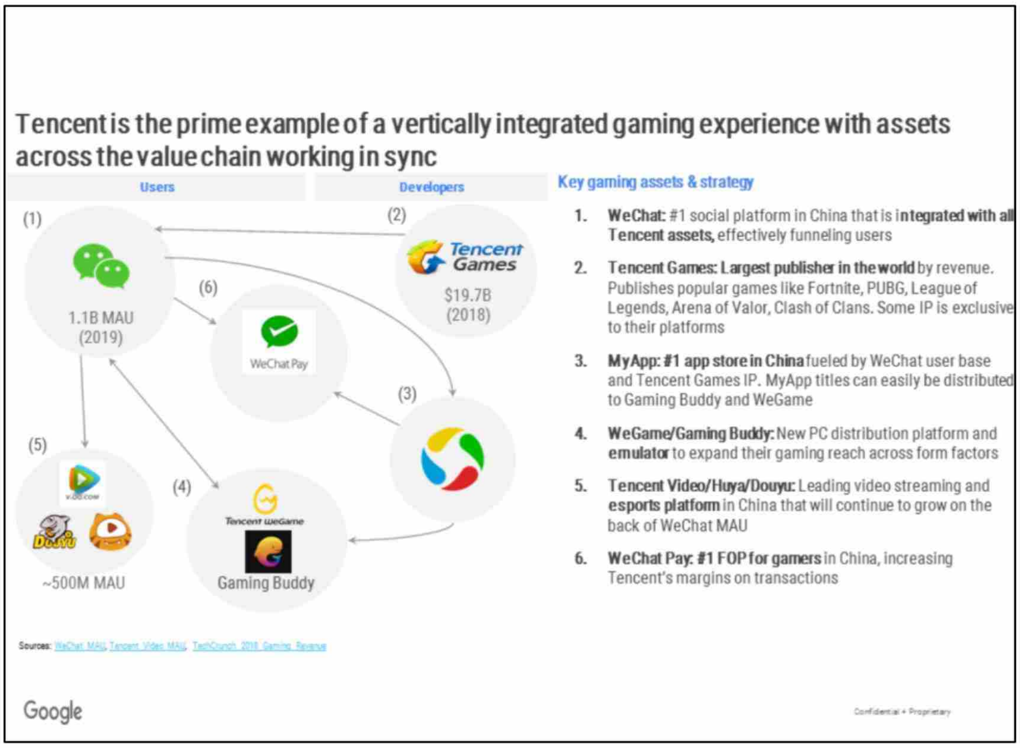

Tencent as examples (core biz is VC - owns all the top game developers, owns stake in social products (WeChat), and "owns" China… bring together pieces through investment)

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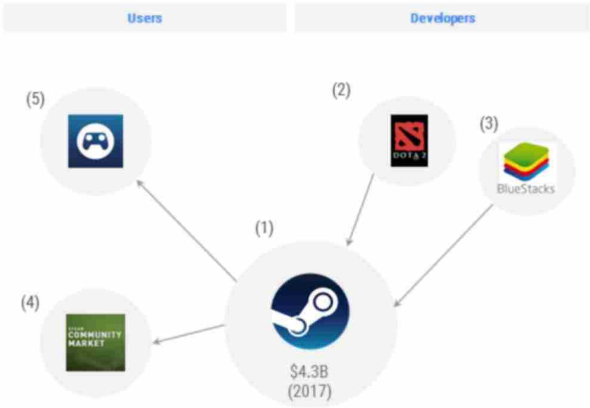
Valve's success in PC distribution comes from their focus on creating the best gamer lifecycle experience, through sticky communities and invaluable IPs



Key gaming assets & strategy

1. **Steam: #1 PC game distribution platform** by revenue. Steam Community component that includes social chat, trusted reviews, and exchanging modified games
2. **Games:** Develops and publishes major exclusive titles, including DOTA2, Counter Strike: GO, Half-Life, Portal, Left 4 Dead, and Team Fortress 2
3. **Bluestacks**, a popular Android gaming emulator, enables mobile game developers to cheaply port their titles to PC (only 2 Steam games use Bluestacks today)
4. **Steam Community Marketplace:** Allows for **P2P item trading** for cash
5. **Steam Link:** Allows **PC games to be played on mobile**

Sources: Statista Steam Revenue; Steam Link iOS download

Google

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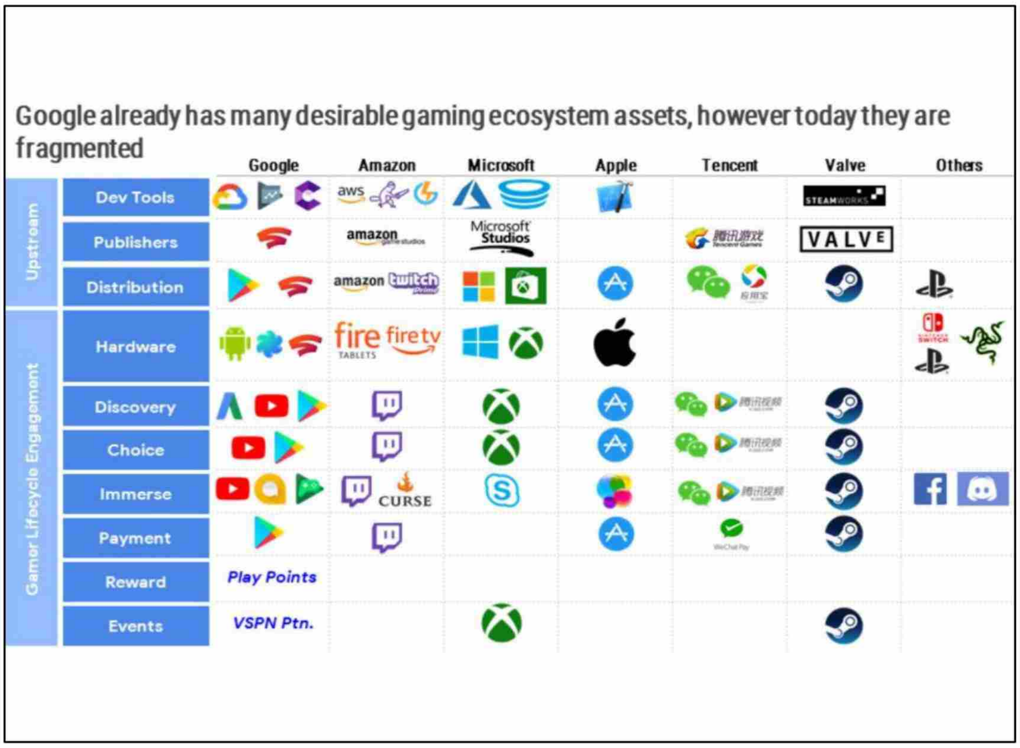

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